

Keynote Address

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Mr. Chrobog,
Professor Sinn,
Ladies and Gentlemen,

Many thanks for the invitation and the opportunity right at the start of your conference to spread what I hope is a positive mood regarding demographic change.

Nowadays when people think about the demographic future it is usually a gloomy prospect involving topics such as crisis, a superannuated population and a demographic time bomb. Anyone reading the headings in our conference programme is even at risk – and you will permit me this little joke – of falling into a deep depression. We read there “Europe heading for a gerontocracy”, “Difficulties for the social insurance systems” and “Europe’s childless societies”. It seems to me as if the organisers want these headings to cause both alarm and provocation.

My colleagues and I in the European Commission have a somewhat different approach, and I hope that by the end of my speech this approach will allow us all to take a slightly more positive view of the demographic future.

Ladies and Gentlemen,

All the rhetoric of catastrophe often obscures the fact that demographic ageing is actually a success story. For our grandparents, reaching the grand old age of 80 usually remained but a dream, but for those of us gathered in this hall it almost goes without saying. The forecasts up to 2050 anticipate a further increase in life expectancy of five years. Never before have Europeans been able to get as old as they do now! As a result European society as a whole is ageing.

Even an explosive increase in birth rate coupled with large-scale immigration would scarcely achieve a constant ratio between people of a working age and the over-65s. But a population explosion like this is just as unrealistic as the often feared migration flows.

As I said before, the ageing of the population – and I find “ageing” a more appropriate word than “superannuation” – is primarily the result of a constant increase in life expectancy. And then there are the baby-boom years of the 60s and 70s. As from 2020 the baby-boomers will be “reaching a certain age” and increasing the percentage of old people in the population.

The ageing of the population is at the same time linked to the low birth rate in the EU. Statistically, each woman in the European Union brings 1.5 children into the world – far below the sustainability figure of 2.1. This figure furthermore conceals enormous differences between the member states. Whilst in my home country, the Czech Republic, there is currently a ratio of 1.2 children to each woman, the ratio for Germany is 1.4, whilst for the frontrunners France and Ireland it is about 2.

Currently 16 percent of the European population is over the age of 65. Assuming there are no changes in birth rate and immigration, by 2050 the proportion of old people will have almost doubled. But it is also to be expected that by 2050 people will be far healthier at the age of 65 or 80 than is now the case. The ‘perceived ageing’ of society might thus turn out far less marked than the statistical predictions might suggest. Judging by a glance around the hall, we doubtless all look far younger than our grandparents did at our age!

Demographic ageing naturally displays major differences in scope and speed between the individual member states and regions. It has nevertheless now become a Europe-wide phenomenon, and all the member states rightly see it as a major challenge. One thing is clear. Because of this major change in social reality our states will have to change. For a

long time the member states were on their own with their strategies for demographic change. It was important to me to encourage a European debate, thus immediately after taking up my post at the Commission in March 2005 I published the Commission's Green Paper on demographic change. The results of this public exchange were compiled in the October 2006 communiqué "The demographic future – from challenge to opportunity".

If we are to meet the demographic challenge we need a broad approach that allows people to remain active in their work and in society – a kind of "mainstreaming" of the demographic factor. This ranges from infrastructure, compatibility of family and career, crèches and re-entry into the labour market through to an active labour market policy. If we want a stable social system we need people who are paying in. Not only is the group of people of a working age shrinking, but in many member states there is also an increase in jobs that do not create any social-insurance contributions. If less and less money is being paid in, there has at some stage to be a transition to financing of social insurance through taxation, and more incentives have to be created for jobs that are subject to social-insurance deductions. The service sector will greatly change and will adjust to the Silver Economy. Millions of jobs will be created in this field over the coming years.

So what do we think has to happen to bring all these factors together, enable the member states to deal with the demographic challenge and ensure financing of social security systems permanently and in a person oriented fashion? If sustainability were the sole criterion payments could simply be halved and financing would then be guaranteed. In Europe, however, we require social systems to be humane – the focus must be on people and not just finances. That sounds a little simple, but it constitutes the core of our system. This is why the reforms currently taking place in many member states are so important!

Allow me to briefly describe the results of the October 2006 communiqué and our May 2007 report:

- Firstly: a Europe that favours demographic renewal.
- Secondly: a Europe that raises the value of work.
- Thirdly: a more productive and more efficient Europe.
- Fourthly: a Europe that is prepared to take in and integrate immigrants.
- Fifthly: a Europe whose public finances have a viable future.

But what do these recommendations mean in detail?

Well, *firstly* a Europe that favours demographic renewal is a Europe in which Europeans can implement their ideas of family. Please do not misunderstand me. The decision to have children is a private matter and must remain so, but surveys show that many women and men want more children than they actually bring into the world. This is often because of unfavourable social and economic conditions. Potential parents are afraid that looking after children would be a problem, or that they would have to decide between career and time with their children, or that it would be too expensive. All of these are factors that frequently lead to women and men not realising their actual wish to have children.

It is thus imperative that we improve the social and economic conditions for families and children – not only to strengthen our social insurance but also so that people who want children can also realise this wish! It just will not do that after devoting 30 years to her career a woman still receives inferior pay because she was at home with her children for two eight-month periods 25 years ago!

The compatibility of career, family and private life is crucial in this context. People should not have to choose between children and career! Encouraging experiences have already been made in this area. Germany has made impressive use of its EU presidency to demonstrate what is possible in countries such as France and Sweden, and it is now in the process of doing an about-turn. That is very positive. The "European Alliance for Families", which the Council recently brought into being, was also a very welcome initiative on the part of the German Families Minister Ms. von der Leyen.

The Alliance will be a platform for an EU wide exchange of thoughts and experiences regarding family-friendly policies. The Commission supports the "Alliance for Families", and in May it made concrete proposals regarding organisation of the exchange of information and experiences in a communiqué. Under the heading "Promote solidarity between the generations", in this communiqué we

are also addressing the issue of how demographic renewal of Europe could be furthered.

We are emphasising three areas which jointly play an important role, in order to facilitate the compatibility of professional and family life:

- Financial support for family-related costs,
- High-quality care services for children and dependent elderly people, and
- Flexible working hours with appropriate timetables and regulated holidays.

In this context, might I remind you that as many as five years ago the member states undertook improvement of child care services at the European summit in Barcelona. The EU-wide target is availability of places in child-care facilities for a third of children under the age of three by 2010. Next year I will be presenting a communiqué in order to take stock of the situation.

Secondly, we want a Europe that raises the value of work. We will no longer be able to afford to simply leave our talents and potential unexploited. By integrating more women and more young and elderly people into the work process we will be able compensate for the drop in the number of people of a working age for about 10 years. Already, the increased jobs development in Europe is mainly thanks to the growing number of women and the elderly taking on work. For example, of around 8 million newly created jobs in the EU since 2000, around 6 million were filled by women.

We must support “active ageing” and make sure that in companies employees are no longer pushed off into early retirement as from their late 50s. They should instead remain integrated into operations through constant further training, a flexible work organisation and work conditions that are beneficial to health. Since the 90s Finland has been demonstrating to us how far more elderly people can thus be kept in the working process. Equivalent projects can incidentally also be supported in Germany through the European Social Fund.

This brings me to my *third* point, because our future also depends on a more productive and more efficient Europe. Europe’s economic growth is becoming more and more dependent on its increasing productivity and its innovative capacity, and thus on its investments in training, research and development.

However, much remains to be done with regard to promoting our human capital. For example, the European Union has set itself the target for 12.5 percent of all people of a working age to be participating in measures for life-long learning – above all continuing and further education – by the year 2010. The current figure is about 10 percent, and progress towards the target figure is so slow that we are at risk of not achieving it.

The situation is similar with regard to higher education and success at school. We have too few young people gaining qualifications at Secondary Level 2, i.e. Abitur in Germany (and A-level GCE in the UK) or apprenticeship, and too many leaving school without any qualifications. In this context a joint effort on the part of all interested parties from the fields of politics, commerce and society is required.

A more productive and efficient Europe will ultimately depend on companies’ ability to open up markets that meet the needs of the ageing population. Companies are thus being encouraged to develop the desired services and products for the “silver economy”. A DIW study in April, for example, shows that the over-60s already account for a third of consumption in Germany, and by 2050 this proportion could rise to 40 percent. In Bavaria, with its huge automobile industry, the findings of the Dublin based European Foundation for the Improvement of Living and Work Conditions will doubtless be of interest. The foundation estimates that car sales could increase by about five to eight percent if they better targeted the needs of pensioners!

At the same time we, of course, have to be prepared for growing demand for social care and for health-care provision. It is thus important to invest in training people who offer these services and to improve the reputation of these professions and the quality of these services. Anyone wanting a secure livelihood in 2030 should concentrate on services for the elderly.

Fourthly, we need a Europe that is prepared to take in and integrate immigrants. Immigration is of course neither a patent solution nor the main way of resolving demographic problems. However, excepting the dark years of the past century – the period of the Iron Curtain – there has always been migration in Europe. And immigration is already helping to bridge bottlenecks on the European labour market.

What is more, these bottlenecks will in future tend to increase rather than decrease. It is thus not a matter of choosing between a Europe with immigrants and one without. It is far more a question of whether Europe regulates immigration well or poorly. Neither is it a matter of either immigration or getting people already living in Europe qualified. As I have said before, we should resolutely develop our human capital and simultaneously facilitate immigration.

Permit me a somewhat daring hypothesis. Perhaps there will soon be a lack of immigration in Europe. We should ask ourselves when immigration has existed over the past century. There have usually been two reasons. Firstly, immigration from previous colonies or historically linked countries – Pakistanis went to Great Britain, North Africans to France and Indonesians to the Netherlands. Secondly, immigrants came – often as refugees – following catastrophes: after WW1 and WW2 from West to East, after 1956 from Hungary, after 1968 from Czechoslovakia and in the 90s from the former Yugoslavia. Africans are fleeing to Italy, Spain and Malta, etc. The only exception seems to me to be the Turks, who came to Germany in the 50s and 60s. The colonial era is past, and we will hopefully be spared catastrophes such as the above. We will thus rather have to create incentives to pave the way for well-trained immigrants and legal, regulated immigration in line with the needs of the European labour market. This is to be accompanied by an efficient integration process. As part of the integration we must above all make sure that immigrants and their children get the appropriate training and labour-market opportunities, so they can realise their potential once they are here. Migration will thus increasingly become the remit of the Labour Minister and less that of the Justice Minister – not that I would wish to question the competence of anyone in this context!

Finally we must develop a Europe whose public finances have a viable future and that can guarantee adequate social welfare and a balance between the generations. Demographic ageing will entail higher expenditure for care for the elderly, health and long-term care. Long-term financing of adequate social welfare for the elderly is in many member states not yet assured. The first four recommendations will already contribute towards increasing revenue for social security systems. But modernisation of the actual social security systems is also necessary in

order to attain the goals of growth, employment and social cohesion in Europe. The efficiency and sustainability of the organisation of these systems can often be further improved.

Rational use of resources is a crucial factor for a sustainable health service and can simultaneously serve to guarantee high standards. Better coordination, promotion of a healthy way of life and prevention are sensible strategies for everyone. They improve people's state of health and furthermore prevent costs for welfare systems from rising. The recent pension reforms in several countries will reduce the imbalance in the pensions systems. Nevertheless, further reforms will probably be unavoidable in many countries. They would primarily have to aim at raising the effective retirement age.

The European Union can support the national reform processes, above all by promoting mutual learning with the aid of the so-called open method of coordination. As part of this coordination mechanism the member states set themselves joint goals, report on their realisation and present to each other examples of tried-and-tested practices.

We at the European Commission offer the member states our support in coping with demographic change. As previously explained, we are initially promoting the exchange of experiences between the member states as part of the open method of coordination. Every two years we will also be holding a demography forum at which member states will be able to exchange successful strategies and set their own targets, which will then be analysed every year. Last October's forum constituted a highly successful start. The Commission has also deployed a high-powered group of government experts who are in future to advise us on demographic matters.

Ladies and Gentlemen,

Even though the pressure to change is considerable and we must not let time pass unused, I am firmly convinced that we can meet the challenges of demographic change and that it does not represent a threat to our European social model. Above all, we must give people confidence in the future. We have to grasp the demographic challenges as a task for the whole of society, realise the opportunities of this development and renew the solidarity pact between the generations.

Therein, in my opinion – in the renewal and stability of the contract between the generations – lie the real opportunities of the demographic challenge. Over the centuries the middle generation has brought up young people and cared for the elderly. This situation will basically remain unchanged, but new opportunities are opening up through the presence of a new generation of active old people.

One field for renewal of the contract between the generations might, for example, comprise the commitment and work of the older generation contributing towards all children and young people getting the best possible education. This means creating equal opportunities in the field of school and post school education. But it equally means greater efforts in the field of early education, above all by creating crèches and kindergarten places of a high educational level. This would then also bring about improved compatibility of career and family for women and men of the middle generation. And ultimately it would also readjust the distorted picture of old age as a fallow and static period – because old people are actually very active.

If we achieve a new pact between the generations based on full utilisation of the potential of the elderly and massive investment in the future of young people, our societies can continue to age with confidence. If we now approach the challenge of demographic change resolutely we will also benefit from its opportunities – regardless of our actual age. Our European society is strong enough for this.

Thank you for your attention.